UNITED STATES BANKRUPTCY COURT
EASTERN DISTRICT OF MICHIGAN
SOUTHERN DIVISION - DETROIT

IN THE MATTER OF:
Hamilton Engineering, Inc.

Debtor.
________________________________/

Bankruptcy Case No. 17-48381
Honorable Maria L. Oxholm
Chapter 11

DECLARATION OF CHRISTINA DEAL MCILHENNEY IN SUPPORT OF DEBTOR'S FIRST DAY PLEADINGS

In support of the above captioned Debtors' first day pleadings, I, Christina Deal McIlhenney, declare as follows:

INTRODUCTION

1. Except as otherwise stated herein, I make this declaration upon personal knowledge and, if called as a witness, could competently testify to the facts contained herein.

2. I am the Vice President of Operations and Responsible Person of the Debtor. I am also a shareholder of the Debtor.

3. On June 3, 2017 (the "Petition Date") the Debtor filed a voluntary petition in this Court for relief under Chapter 11 of Title 11 of the United States Code, 11 U.S.C. §§ 101-1330, as amended (the "Bankruptcy Code").

4. The Debtor continues to manage and operate its business as debtor-in-possession pursuant to Sections 1107 and 1108 of the Bankruptcy Code.

5. I have been informed that no trustee or examiner has been appointed in the Debtor's chapter 11 case and no committee has been appointed or designated.

6. Founded in 1981, the Debtor is a family-owned, Livonia, Michigan based, supplier of specially designed water heating and building heat applications throughout North and South America. The Debtor takes extraordinary efforts to meet the precise specifications of its customers regarding their water heating needs. Additionally, the Debtor prides itself as the only supplier in the industry that can provide completely pre-plumbed, factory-assembled and tested systems with up to fifty-six million BTU's of input.

THE FIRST DAY MOTIONS

7. In order to minimize the potentially adverse effects of the bankruptcy filing on their business the Debtor has requested first day relief (collectively, the "First Day Motions") that are intended to allow the Debtor to maintain ongoing business operations and fulfill its duties as debtor in possession. The First Day Motions are:

a. *First Day Motion for Entry of Order (A) Authorizing Debtor to Pay Employee Obligations; and (B) Directing Financial Institutions to Honor Outstanding Employee-Obligations Payments* (the "Employee Obligations Motion")*; and*

b. *First Day Motion for Entry of an Interim and Final Order Authorizing the Debtor to Use Cash Collateral and Granting Adequate Protection* (the "Cash Collateral Motion").

The Employee Obligations Motion

8. As of the Petition Date, the Debtor employs approximately 40 employees (the "Employees") in the ordinary course of its business and incurs obligations to them for compensation for their services. Approximately 30 Employees are paid hourly wages and 10 are paid salaried wages. Of the 10 salaried Employees, 3 Employees also receive commissions based upon their sales of the Debtor's products. Three of the Employees may be insiders, as defined in § 101(31).

9. The Debtor has costs and obligations with respect to the Employees relating to the period before the Petition Date. Certain of these costs and obligations are due and payable, while others will become due and payable after the Petition Date in the ordinary course of the Debtor's business.

10. Before the Petition Date, and in the ordinary course of its business, the Debtor typically paid obligations relating to wages (the "Wages") bi-weekly on Friday for the period ending the previous Saturday. The Debtor pays the wages by check or direct deposit and uses a third-party payroll service to assist in proper administration.

11. The Debtor is also required by law to withhold from its Employees' Wages applicable amounts related to federal, state, and local income taxes, as well as social security and Medicare taxes (collectively, the "Withholding Taxes") and

to remit the same to the appropriate taxing authority (collectively, the "Taxing Authorities").

12. Furthermore, the Debtor is required to make payments from its own funds on account of social security and Medicare taxes, and to pay, based on a percentage of gross payroll and subject to state-imposed limits, additional amounts to the Taxing Authorities for, among other things, state and federal unemployment insurance (collectively, the "Employer Payroll Taxes" and together with the Withholding Taxes, the "Payroll Taxes").

13. Certain Employees who complete sixty (60) days of service begin accruing paid days off ("PDO") and are eligible to receive a total of four (4) paid days off during their first year of employment. Employees accrue additional PDO after one (1) year of service and ten (10) years of service thereafter. PDO may be used only after it is accrued and may not be rolled over year-to-year. The cash value of the accrued PDO is only paid (up to a maximum of five (5) days) at the Employee's request at year end. As of the Petition Date, the Debtor is current with respect to its PDO obligations.

14. The Employees incur various expenses in the discharge of their ordinary duties (the "Reimbursable Expenses"). Because these Reimbursable Expenses are incurred as part of their official duties and in furtherance of the Debtor's business, the Debtor reimburses the Employees in full for these expenses,

subject to the submission of proper documentation to the appropriate accounting department. To enable the Employees to perform their jobs effectively, the Debtor must continue corporate policies of permitting certain Employees to incur business related expenses and thereafter seek reimbursement of such expenses. In the ordinary course of the Debtor's business, Employees may travel to meet with customers, vendors, or suppliers and are reimbursed for expenses incurred in connection therewith. The Employees may be unwilling or unable to continue these vital business practices if they are not reimbursed for these Reimbursable Expenses, thus irreparably injuring the Debtor's business.

15. In addition to the foregoing and in the ordinary course of its business, the Debtor maintains employee benefit programs (the "Benefits"), for which the Debtor contributes all or a part of the expenses. These Benefits include:

a. Health Insurance Plans: The Debtor provides Employees healthcare coverage administered by either Total Healthcare or Alliance Health for medical and VSP coverage) and Guardian (for optional dental coverage). The Debtor pays a portion of the health plan premiums and the Employees are provided with the option in the various health plans offered.

b. Retirement Plans: The Debtor also provides Employees with the option of participating in a 401(k) retirement plan through PNC Bank.

c. Insurance: The Debtor also provides each employee with a term life insurance policy administered through Guardian. Further, Debtor offers voluntary life insurance through Guardian.

16. Absent the entry of an Order granting the Employee Obligation Motion, for the reasons stated therein and herein, the Debtor and its employees will suffer immediate and irreparable harm.

The Cash Collateral Motion

17. The Debtor requires use of Cash Collateral to make such payments as are necessary for the continuation of its business, as shown on the exhibit attached the Cash Collateral Motion (the “Budget”).

18. The Budget was prepared by the Debtor in consultation with me and is based upon historical financial data as well as the current and scheduled projects.

19. The Budget projects the anticipated revenue and expenses of the Debtor and demonstrates the amount of funds that it must expend in its operations in order to avoid immediate and irreparable harm.

20. Without the ability to make the payments as set forth in the Budget, the Debtor would be unable to continue operating and would be forced to shut down its operations on an emergency basis. A majority of the Debtor's value arises from the on-going operations. Further, an immediate cessation of operation would cause enormous hardship for all of the Debtor's customers and employees. Accordingly, authorizing the Debtor to use its Cash Collateral as set forth in the Budget is in the best interest of all creditors and parties in interest.

21. The Debtor anticipates that First Business Capital Corporation ("First Business") will assert a security interest in the Cash Collateral. The Debtor further anticipates that First Business will assert that its security interest and liens have first priority over all other security interests and liens asserted against the Debtor.

22. The Debtor also anticipates that Grow Michigan, LLC ("Grow Michigan") will assert a security interest in the Cash Collateral. The Debtor further anticipates that Grow Michigan will assert that its security interest and liens have second priority over all other security interests and liens asserted against the Debtor. Indeed, at the time that the Debtor and First Business entered into the First Business Loan, Grow Michigan agreed to subordinate its security interest to First Business.

23. The Debtor makes no admission and takes no position at this time regarding the validity, enforceability, priority or perfection of any the obligations,

security interests and liens that may be asserted by either First Business or Grow Michigan.

24. The Debtor believes that no entities have an interest in its Cash Collateral other than First Business and Grow Michigan.

25. Absent the entry of an Order granting the Cash Collateral Motion, for the reasons stated therein and herein, the Debtor will suffer immediate and irreparable harm.

CONCLUSION

26. I have read, reviewed, and approved each of the First Day Motions.

27. The Debtor intends to reorganize its financial affairs and file a Plan of Reorganization to that extent.

Pursuant to 28 U.S.C. § 1746, I declare to the best of my knowledge, under penalty of perjury, that the above statements are true and correct.

HAMILTON ENGINEERING, INC.

By: /s/ Christina Deal McIlhenney
Christina Deal McIlhenney
Its: Responsible Person

Dated: June 3, 2017